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SUBJECT: SHANGHAI WTO CENTER CALLS U.S. "IRRESPONSIBLE" FOR IMPOSING
TIRE IMPORT SAFEGUARDS

REF: A. SHANGHAI 397
[1](#)B. BEIJING 2671

SHANGHAI 00000399 001.2 OF 002

(U) This message is sensitive but unclassified. Not for
distribution outside USG channels.

[1](#)1. (SBU) Summary: Meeting with the Consul General September 18,
the head of Shanghai's WTO Center labeled the U.S. decision to
impose safeguard tariffs on tire imports from China politically
motivated and "irresponsible" in the current global economic
climate but at the same time expressed understanding for the
action. He indicated China would be less willing to accept
informal U.S. assurances in any future negotiations and raised
concerns that other countries might follow the U.S. example and
apply their own protectionist measures. As a result, China, the
world's greatest beneficiary of globalization to date, could
become its biggest loser. End Summary.

Window into Central Government Thinking?

[1](#)2. (SBU) Consul General Beatrice Camp met September 18 with
Shanghai WTO Affairs Consultation Center (SCC/WTO) President Mr.
Wang Xinkui to discuss Chinese reaction to the USG decision to
impose safeguard tariffs on tire imports from China. The
SCC/WTO Center, established in 2000 on the eve of China's
accession to the WTO, is a quasi-governmental think tank funded
by the Shanghai Municipal Government. The Center routinely
provides economic analysis related to trade policy to municipal
and central government agencies. Wang also serves as a member of
the Financial and Economic Committee of the Shanghai Municipal
People's Congress.

[1](#)3. (U) Wang Xinkui visited the United States as a State
Department-sponsored Voluntary Visitor in 2001 and again in 2008
as part of a delegation that met with the U.S. Departments of
Commerce, Agriculture, and Treasury, as well as the
International Trade Commission. During the course of the
meeting, upon highlighting the utility of his previous visits to
the United States, Wang introduced another colleague set to lead
a delegation to New York and Washington, DC in October.

"A Political Decision"

¶4. (SBU) Wang observed that, given the backdrop of the global financial crisis, China was bracing itself for rising levels of global protectionism, particularly involving the United States. Wang claimed that he understood the political climate in the U.S. giving rise to the safeguards decision, and expressed sympathy for President Obama, stating that the President had little room to maneuver politically and had to be seen as doing something on the case. Nevertheless, Wang argued that the U.S. International Trade Commission (ITC) lacked fixed standards for calculating industrial injury in safeguards cases and the "421" decision ultimately had not been based on economic analysis but rather on a political calculus.

Playing the Victim Card

¶5. (SBU) Wang provided historical context for his views by noting that the political climate in Washington during China's WTO accession negotiations had forced China into accepting concessions that it now regrets, including the safeguard provisions outlined in Sections 222 and 421 of the Trade Act. Wang claimed former United States Trade Representative Charlene Barshefsky had "promised that the U.S. would be very cautious in its use of these provisions." China now feels "naive for having taken her words seriously" and would no longer value "informal promises" during future negotiations, Wang observed.

¶6. (SBU) Wang also emphasized, given the current global economic crisis, that other countries needed "to understand the sacrifices that China has made." He cited a 20-percent drop in Chinese exports from January to August 2009 which has caused the loss of one million export-related jobs. (Note: China's Ministry of Commerce reported China's cumulative exports for the January-August period were down 22 percent year-on-year,

SHANGHAI 00000399 002.2 OF 002

although seasonally-adjusted monthly data has shown steady improvement over the past few months. End Note.) In spite of the economic downturn, Wang argued, China had not devalued its currency or resorted to protectionist measures. Moreover, China had spent RMB 4 trillion in stimulus funds to spur growth and contribute to the global economy, he added. For the United States to impose a safeguards measure amidst the current economic climate was, in Wang's words, "irresponsible."

"China Showing Restraint" in Reaction to U.S. Decision

¶7. (SBU) Since the announcement of the 421 decision September 11, Wang said that China has exhibited tremendous restraint. He claimed that domestic media reporting on the decision had not been sensationalistic and that the Chinese Government had stressed repeatedly that the matter should be resolved through "the WTO framework." (Note: The case was featured heavily on the front pages of all major Chinese and English language newspapers. China has also signaled that it will file a case on U.S. chicken exports. For additional detail, see reftel B. End Note.)

Globalized World, Globalized Challenges

¶8. (SBU) Wang noted that the global financial crisis had forced China to reassess globalization, and that the current global economic framework needed to be "re-adjusted." Wang stated China has been among the world's largest beneficiaries from globalization but stands to be one of the biggest losers, as does the United States, should trade protectionism increase. Citing the example of U.S. synthetic rubber manufacturers, who export to Chinese tire makers, as being likely unintended victims of the safeguards decision, Wang noted that a trade war

between China and the United States would also have a significant impact on the global economy. He ironically expressed hope that the decision may lead to one positive outcome -- politicians may come to realize that "domestic politics can't be their first priority" and that they must also consider our "increasing global interdependence."

Follow the Leader

¶9. (SBU) Wang expressed concern that the difficult economic climate may compel other countries to follow the U.S.'s lead and implement their own safeguard measures, adding that the value of Chinese tire exports to the United States comprise merely 0.06 percent of total Chinese exports.

¶10. (SBU) The Consul General noted that the USG shares China's concerns over growing protectionism but that the USG views the 421 remedy as enforcement of trade laws rather than protectionism. She also agreed that this matter should be resolved within the WTO framework and expressed optimism that the core of the bilateral relationship remains solid despite occasional trade frictions.

Comment

¶11. (SBU) During his discussion with the Consul General, Wang held closely to the popular victimization narrative characterizing public discourse in China concerning the U.S. safeguards decision. Nevertheless Wang's comments were delivered with an air of regret, not of anger, and he clearly hoped to maintain the Center's substantial interaction with the USG.
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